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Washington 25, D. C.

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FOR RELEASE
JAN. 25, P. M.

The DEMAND and PRICE SITUATION

WASHINGTON, D. C., JAN. 1954

AMS

Approved by the Outlook and Situation Board, January 19, 1954

SUMMARY

Prices of several major farm products have firmed up since mid-November. For the most part this reflects the seasonal tapering off in marketings and smaller commercial supplies of some farm products as large quantities moved under price support programs. Price increases during the past two months were largest for hogs, corn and soybeans.

Economic activity continued moderately downward in the closing quarter of 1953. The gross national product for October-December, according to preliminary indications, was off around 2 percent from the second quarter high. This decline reflected primarily reduced production in some industries because of large inventories and lower automobile output due to model changes.

As production tapered off employment in nonagricultural establishments declined gradually from the summer peak and unemployment rose from a low of 1.2 million workers to more than 1.8 million

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1952 Year	1952 Dec.	1953 Sept.	1953 Oct.	1953 Nov.	1953 Dec.
Industrial production 1/ #							
Total	1947-49=100	124	133	133	132	130	
All manufactures	do.	125	135	135	134	132	
Durable goods	do.	136	152	152	151	147	
Nondurable goods	do.	114	118	117	117	116	
Minerals	do.	114	117	118	114	113	
Construction activity 1/ #							
Contracts, total	1947-49=100	183	205	218	230	224	
Contracts, residential	do.	181	183	180	183	177	
Wholesale prices 2/ #							
All commodities	1947-49=100	112	110	111	110	110	110
All commodities except farm and food	do.	113	113	115	115	114	115
Farm products	do.	107	99	98	95	94	94
Processed foods	do.	109	104	107	105	104	104
Prices received and paid by farmers 3/							
Prices received, all products	1910-14=100	288	269	256	250	249	252
Prices paid, interest, taxes, and wage rates	do.	287	281	277	276	277	278
Parity ratio		100	96	92	91	90	91
Consumers' price 2/ 4/ #							
Total	1947-49=100	114	114	115	115	115	
Food	do.	115	114	114	114	112	
Income							
Nonagricultural payments 5/	Bil. dol.	249.9	261.6	270.0	270.5	268.6	
Production worker pay rolls 2/ #	1947-49=100	135.3	150.9	149.9	149.2	p144.7	
Weekly earnings of production workers 2/ #							
All manufacturing	Dollars	67.97	72.14	71.02	71.73	71.60	71.78
Durable goods	do.	73.04	77.78	76.73	77.49	76.73	77.11
Nondurable goods	do.	60.98	63.59	63.41	63.50	63.73	64.29
Employment							
Total civilian 6/	Millions	61.3	61.5	62.3	62.2	61.9	60.8
Nonagricultural 6/	do.	54.5	55.8	55.0	55.1	55.3	55.3
Agricultural 6/	do.	6.8	5.7	7.3	7.2	6.7	5.4
Government finance (Federal) 7/	Million dollars						
Income, cash operating		5,950	6,320	6,373	2,950		
Outgo, cash operating	do.	6,082	7,364	6,294	5,759		
Net cash operating income or outgo	do.	- 132	-1,044	78	-2,809		

Annual data for the years 1929, 1932 and 1935-52 appear on page 26 of the April 1953 issue of the Demand and Price Situation.

1/ Federal Reserve Board. Construction activity revised to 1947-49 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics; to convert prices received and prices paid, interest, taxes, and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Index of change in prices of goods and services purchased by city wage-earner and clerical-worker families to maintain their level of living. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury.
Data for 1952 are on average monthly basis.
Revised series. p= Preliminary.

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in December. Consumer buying and Government spending held near the second and third quarter rates. But business investment in new plant and equipment declined slightly from the record of the third quarter.

Adjustments in economic activity in coming months are expected to continue moderate. There are no signs of a major contraction in any part of the final market for goods and services. Business investment schedules and plans for the first quarter of 1954, after adjustment for seasonal variation, suggest little change from the fourth quarter rate. Construction activity continues high with commercial building at a record. Business investment plans for early 1954 also suggest that commercial and utility construction will continue to sustain building activity in coming months. Demand for goods and services by Federal, State and local Governments is likely to change little even if national security outlays should ease further in the next few months. Lower tax rates on individual incomes and on excess profits, effective January 1 this year, increased incomes available for spending and should help to bolster consumer demand in coming months.

Commodity Highlights

Prices of fed cattle of the higher grades seem likely to hold their present level this winter in contrast to the decline of a year earlier. Prices of lambs are expected to hold up or increase during the winter and may at times be higher than the prices in these months of a year ago. Hog prices will likely retain a substantial margin over last winter. Production of milk this winter is exceeding the records of the same period in 1952. Prices paid by dealers for milk used in fluid distribution have begun to decline seasonally and are somewhat under year-ago levels. Prices of broilers recovered somewhat in early January from the severely depressed levels of late December. Egg prices in early January were declining but the decline was less than usual because of a continuing favorable demand for immediate consumption plus early-season interest by commercial egg breakers. Prices of soybeans continue well above support, reflecting the smallest crop since 1949, record exports and a good domestic demand. Cash

prices of feed grains in early January remained near the December averages, while prices of most high-protein feeds advanced. Reflecting the large movement of wheat under price support programs, prices in general are slightly above levels in mid-December, continuing the advance which started in early October. Prices received by farmers for commercial vegetables in the first quarter of 1954 probably will not average as high as those of a year earlier. Preliminary indications are that total supplies of canned and frozen vegetables for distribution in the 1953-54 marketing season will be as large as or larger than those of a year earlier. Prices for 1953 crop potatoes are expected to remain relatively low through the winter and spring of 1954. The 1953 crops of dry beans and peas were larger than a year earlier, and season average prices are expected to be a little lower for dry beans, but about the same for peas as for the 1952 crops. Supplies of most fruits remaining to be marketed this winter and spring are somewhat larger than corresponding supplies a year earlier. With increased movement of oranges to processors this winter, grower prices probably will average about the same as last winter. Cotton prices increased during the first half of January as movement under price support programs increased rapidly and commercial supplies were reduced. Prices of most wools in both foreign and domestic markets in early January were about the same as a month earlier. A substantial proportion of the 1953 Burley tobacco crop has been marketed, and prices through mid-January averaged 52.7 cents per pound, $3\frac{1}{2}$ percent above the corresponding period of last season.

CURRENT DEVELOPMENTS

Important recommendations affecting the Nation's agriculture were contained in the President's recent message to the Congress on January 11, 1954. In general the proposed agricultural program is built on the Agricultural Acts of 1948 and 1949. However, the proposed program contains new features and certain modifications. The following are some of the major features:

1. The amendment to the 1949 Agricultural Act providing for mandatory 90-percent rigid supports for the basic commodities would be permitted to expire. After 1954 crops, the level of price supports for the basic commodities would be gradually related to supply.

2. In order to give the new program an opportunity to start operating without the handicap of large accumulated surpluses, it is suggested that certain quantities of our surplus commodities, up to the value of 2.5 billion dollars, be set aside from stocks presently held by CCC. These stocks would be eliminated from the supply in price support computations and also insulated from the commercial markets and used in such constructive ways as the school lunch program, disaster relief and stockpiled reserves for use in war or national emergency.

3. In keeping with a policy of gradual adjustment, it is suggested that for the basic commodities not yet on the modernized parity basis, transition from the old to the new parity, beginning in 1956, should be in steps of 5 percent of the old parity price per year in order to avoid adjustments which would threaten the dislocation of the new program. Furthermore, the Secretary of Agriculture would use his authority to insure that year-to-year variations in price support levels generally would be limited.

4. The authority of the Secretary of Agriculture to apply price supports at more than 90 percent of parity, when the national welfare or national security requires, should be continued.

The detailed provisions of the new program are available in the President's message to the Congress on January 11, 1954. A release by the U. S. Department of Agriculture, Questions and Answers on New Farm Program Recommendations is available on request from the USDA Office of Information.

GENERAL BUSINESS CONDITIONS

Economic activity continued to decline moderately in the fourth quarter of 1953. According to preliminary indications, the gross national product was down about 2 percent from the record seasonally adjusted annual rate of 372.4 billion dollars in the second quarter. Expenditures by consumers and Government in the closing quarter were about the same as in the third, but private investment dropped sharply, because of an absence of inventory accumulation so prominent in previous periods.

Consumer Incomes and Spending

Personal incomes in the October and November period were at an average annual rate of 286.3 billion dollars, down only slightly from July-September. Most of the decline occurred in wage and salary receipts in the commodity-producing industries. Employment in the nation's factories and mines declined gradually and the workweek averaged a little shorter. But hourly earnings were about the same as in the third quarter. Proprietors' and rental income and personal income from interest and dividends were both slightly higher in the first two months of the closing quarter of 1953.

Total consumer credit outstanding rose 273 million dollars during October and November. This compares with increases of 1,091 million dollars in the same months of 1952 and 568 million during the third quarter. However, consumer credit usually increases sharply during December, so the volume of sales financed by credit in the fourth quarter probably exceeded that of the third quarter.

Consumer expenditures for goods and services in the fourth quarter apparently held at about the level of the two previous quarters. Retail sales of both durable and nondurable goods during the fourth quarter continued near the third quarter level. Sales by automotive dealers were up 2 percent from the third quarter, but sales at furniture and appliance stores were off 1 percent. Sales were down 2 percent for apparel stores, general merchandise stores, and eating and drinking places. Sales by gasoline service stations rose 5 percent, and changes in sales of other nondurable goods stores were small.

Investment Spending

Total private domestic investment in the fourth quarter showed a rather sharp decline from July-September. The decline resulted primarily from a small inventory liquidation (based on stocks at the end of October and November), in contrast to an inventory buildup of 4.5 billion dollars in the July-September quarter. With consumer buying and manufacturers' deliveries fairly well maintained as production of many products was curtailed, businessmen were able to make small reductions in their relatively large stocks of some products. Much of the decline in inventories in October and November (the latest month reported) was at retail, largely in stocks of automotive dealers, building materials and hardware stores, and home furnishings stores. Manufacturers' stocks also declined moderately over the two months with most of the drop in inventories of nondurable goods.

Business Investment Slightly Lower

Expenditures by business enterprises for new plant and equipment in the fourth quarter were scheduled to decline 2 percent from the record seasonally adjusted annual rate of 28.82 billion dollars in the third, according to the November survey by the Securities and Exchange Commission and the Department of Commerce. The largest decrease was planned for public utilities, more than 8 percent. Spending was down 4 percent for mining and 2 percent for the manufacturing industries, which account for nearly half of the total. These declines were partly offset by an increase in outlays by the commercial and other group which includes construction, trade, communication and service industries.

The Survey indicated that in the first quarter of 1954, businessmen planned to spend at a rate only 1 percent below the last three months of 1953 and higher than in any other January-March period. Expenditures by the commercial and other group and by public utilities are expected to rise above fourth quarter rates, but most other industry groups anticipate small declines.

Construction Activity Holds Up

Private construction outlays in the fourth quarter were up more than 1 percent from July-September, after adjustment for seasonal factors. Outlays for residential construction were up 1 percent. New private housing starts, after adjustment for seasonal variation, were at an annual rate of more than a million units, 8 percent above the reduced rate of the preceding quarter, but down 9 percent from the high of the first three months of the year. Nonresidential construction rose nearly 2 percent, largely because of the contraseasonal increase in commercial construction.

Government Expenditures Steady

Government outlays for goods and services in the last quarter of 1953 apparently continued near second and third quarter rates. Outlays for major national security programs declined moderately. But other Federal outlays, which include farm price support operations, probably rose in the closing months of 1953. Expenditures by State and local Governments for new schools, highways, and other public facilities also increased further, according to preliminary indications.

In his State of The Union message to Congress on January 7, the President indicated that the new budget for the 1954-55 fiscal year would provide for a further reduction in Federal expenditures of more than 5 billion dollars. Detailed provisions of the new budget, submitted to the Congress on January 21, will be summarized in the February issue of this report.

Output and Employment

Output of goods and services was reduced in the closing quarter of 1953 largely as a consequence of efforts to bring inventory accumulation to a halt. As economic activity tapered off, employment in nonagricultural establishments drifted below the peak reached in September, and unemployment increased from the postwar lows in late summer and early fall.

Industrial Production Tapers Off

The revision of the Federal Reserve Board index of industrial production to the 1947-49 base was published in the Federal Reserve Bulletin for December 1953. The new index reflects an increase in the number of industry and product series from about 100 to 175, adoption of an up-to-date index base and an up-to-date standard for combining industrial activities, introduction of comprehensive annual output indexes for adjusting the levels of the monthly indexes, improvements in adjustments for seasonal variation, and incorporation of various other advances in index number making.

The revised index reached an all-time high of 137 in May and again in July 1953. The old index had placed the record in October and November 1943.

Since July, the index has slowly but steadily declined, and in October and November averaged about 3 percent below the third quarter. Manufacturing of durable goods was down 4 percent, with production of primary metals and fabricated metal products off 6 percent and small declines for most other major groups. The output of major consumer durables was 7 percent lower. Reduced automobile production, resulting from shutdowns for new models and curtailed operation schedules to liquidate some burdensome inventories, was largely responsible for the decline. But manufacture of household goods also continued down. Output of lumber and products was up 2 percent.

The index of nondurable manufactures in October-November was down 2 percent from July-September. Textiles, apparel, and rubber and leather products were 5 percent lower, production of chemicals was down 3 percent and petroleum products also were off a little. But manufacturing of food and beverages and the index of paper and printing continued near record levels in October and November. The index of mineral production declined 5 percent, largely the result of a sharp reduction in coal mining as weather remained unusually warm during much of the period and steel output dropped off. Metal mining was curtailed 7 percent more than usual, and output of crude oil and natural gas was 2 percent lower.

Manufacturers' sales after seasonal adjustment, have drifted downward since reaching a peak in July, which was 1 percent above the record average for the second quarter. The decline in manufacturers' deliveries of durable goods has been about twice that for nondurables producers. Much of the recent decrease in durables has resulted from automobile model change-overs. New orders received by manufacturers, seasonally adjusted, have been declining since May. Manufacturers' deliveries have exceeded new orders since September 1952 when the backlog of unfilled orders reached an all-time high of 77.8 billion dollars. Unfilled orders on manufacturers' books during October-December averaged about 13 percent lower than in the third quarter and 22 percent below the peak in September 1952.

Employment Down Further

Total employment in early December was down 1.2 million workers from a month earlier, because of a seasonal drop in agricultural employment. The slight increase in nonagricultural employment was less than the usual rise. The pre-Christmas increase in hiring in retail trade and in Federal post offices more than offset a decrease in employment in factories and on contract construction. Apparently many of the workers being dropped from employment rolls did not immediately start looking for other jobs, because the labor force decreased about 700,000 and the unemployment figure rose only 400,000 from November to December. The number of workers out of a job but seeking work totaled 1,850,000, about 3 percent of the labor force. In October, the postwar low point in unemployment, 1.2 million persons were unemployed.

COMMODITY PRICES

Wholesale prices displayed a firmer tone over the two months ending in mid-January of this year, due primarily to price increases for foods and farm products. In early January, the all commodity index was up 1 percent from the middle of November. Prices for farm products rose nearly 6 percent and those for processed food 2 percent during the period. Industrial prices averaged the same as in mid-November.

Table 1.- Indexes of wholesale and basic commodity prices, selected groups, January 12 with comparisons

(1947-49=100)

Group	Jan. 12, 1954	Nov. 17, 1953	Jan. 13, 1953	January 12, 1954 percentage change from	
				Nov. 17, 1953	Jan. 13, 1953
22 Basic Commodities					
All commodities..........	88.6	87.7	89.8	1.0	- 1.3
Foodstuffs..............	97.7	93.3	86.3	4.7	13.2
Raw industrial.........	82.6	83.9	92.2	- 1.5	- 10.4
Livestock and products.	74.9	70.2	62.3	6.7	20.2
Metals.................	85.6	89.5	107.2	- 4.4	- 20.1
Textiles and fibers....	87.6	87.5	89.6	.1	- 2.2
Fats and oils..........	70.7	70.6	58.6	.1	20.6
Wholesale prices					
All commodities..........	110.9	109.8	109.8	1.0	1.0
Farm....................	98.5	93.2	100.7	5.7	- 2.2
Food, processed........	106.1	103.9	104.4	2.1	1.6
All other than farm and food..........	114.5	114.6	112.8	- .1	1.5

The index of prices for 22 basic commodities has inched up since mid-November. On January 12, it was 1 percent above November 17, largely because of a 7 percent increase in livestock and products. Hogs were up 23 percent, lard 5 percent, steers 6 percent, and tallow 7 percent, but hides were down 6 percent. In addition there was a rise of 6 percent in prices for corn and 20 percent for cocoa beans. Prices for fats and oils averaged about the same, as a decline of 11 percent for cottonseed oil about offset the increases for lard and tallow. Metals prices were down 4 percent as prices for lead and steel scrap were off 8 and 13 percent during the period.

Farm Product Prices Up Slightly

A sharp increase in hog prices was primarily responsible for raising the Index of Prices Received by Farmers 3 points during the month ending December 15 to 252 percent of the 1910-14 average. The livestock and product index increased 2 percent during the month, as higher prices for hogs and slight increases for other meat animals more than offset lower milk, egg, and chicken prices. The all-crop index was 1 point lower, with a decrease in prices for cotton, potatoes, citrus fruit, and tobacco slightly more than offsetting higher prices for grain, soybeans, and several important truck crops. Higher feed prices

were the primary factor raising the Parity Index (Prices Paid for Commodities, Interest, Taxes, and Wage Rates) 1 point to 278 on December 15. The Parity Ratio rose to 91, up 1 percent from mid-November but down 5 percent from the end of 1952.

Table 2.- Indexes of prices received and paid by farmers December 1953, with comparisons

(1910-14=100)

Group	Dec. 15, 1953	Nov. 15, 1953	Dec. 15, 1952	December 15, 1953 percentage change from Nov. 15, 1953	Dec. 15, 1952
All farm products........	252	249	269	1	- 6
All crops................	233	234	257	1/	- 9
Food grains............	230	229	247	2/	- 7
Feed grains and hay....	197	188	218	5	- 10
Cotton.................	259	268	258	- 3	- 3
Tobacco................	427	433	428	- 1	0
Oil-bearing crops......	269	263	300	2	- 10
Fruits.................	215	219	206	- 2	4
Truck crops............	195	186	256	5	- 24
Vegetables.............	153	163	280	- 6	- 45
Livestock and products...	269	263	280	2	- 4
Meat animals...........	285	267	291	7	- 2
Dairy products.........	283	289	309	- 2	- 8
Poultry and eggs.......	219	225	221	- 3	- 1
Wool...................	293	293	280	0	5
Prices paid, interest, taxes and wage rates.....	278	277	280	2/	- 1
Family living items....	270	270	269	0	2/
Production items.......	250	248	264	1	- 5
Parity ratio.............	91	90	96	1	- 5

1/ Less than 0.5 percent decrease.
2/ Less than 0.5 percent increase.

Central market prices increased for a number of major farm products in the two months ending in mid-January. The price for No. 2 Hard Winter wheat at Kansas City in the week ended January 9 was 2 percent higher than in mid-November. Large quantities of wheat have moved under loan, leaving rather limited quantities of "free wheat" in commercial channels. The price of No. 3 Yellow corn at Chicago for the same period was up 9 percent. Marketings have passed their seasonal peak, and with a larger volume of 1953 crop corn going under price support, supplies of "free" corn have tightened. The price for No. 2 Yellow soybeans at Chicago was up 8 percent from the second week in November, reflecting the smallest crop since 1949, record

exports and a strong demand by domestic crushers. Prices of barrows and gilts at Chicago in early January averaged about a fifth above mid-November. Marketing of hogs from the reduced spring crop passed their seasonal peak earlier than usual, and the fall pig crop was down about 9 percent from a year earlier. Cotton prices picked up during the first half of January. Stocks of cotton going under loan have increased rapidly so far this season and commercial stocks have declined. However, egg and milk prices have declined seasonally since mid-November.

The consumer price index for urban families declined in the month ending November 15, for the first time since February. At 115.0 percent of the 1947-49 average, the index was 4/10 of 1 percent lower than a month earlier. Prices for food and transportation were down, but rent and most other services were up slightly. The index of prices for items used in rural family living on December 15 was the same as it had been for the three months previous. During the month prices for food and fuel rose, but clothing and building material prices declined.

AGRICULTURAL EXPORTS

Exports of agricultural products were valued at 874 million dollars in the first 4 months of the fiscal year, nearly 4 percent more than in the same period of 1952. Substantially larger exports of tobacco, corn and tallow were partly offset by much smaller exports of wheat and flour.

The volume of wheat exports by the U. S. in the July-October period was down nearly a fourth from the same period of 1952 reflecting generally abundant supplies in foreign countries. Shipments of tobacco were up about 12 percent from the relatively low level of 1952 when the United Kingdom postponed imports of tobacco until the spring of 1953 to conserve dollar exchange. Large supplies and relatively low prices for tallow in the U. S. contributed to a 75-percent gain in the volume of exports in the July-October period of 1953 over a year earlier. In the same period the quantity of cotton exported increased slightly from the corresponding period in 1952 and for the season as a whole is expected to total a little above 1952-53.

The upward trend in world agricultural production since the end of the war now appears to be leveling off and per capita consumption is close to that of prewar. Total output in 1953-54 is only slightly above that of the preceding season and this leveling off may continue. Indicated food production in Western Europe for 1953-54 is somewhat larger than a year earlier but no major improvement is in prospect on a per capita basis. The build up in productive capacity of foreign nations in recent years has enabled them to buy less and sell more abroad. With larger exports to the U. S. and increased military expenditures abroad by the U. S. Government, foreign nations have materially improved their dollar exchange position since mid-1952.

FARM INCOME

Farmers' cash receipts from marketings in December are tentatively estimated at 3.0 billion dollars, down 15 percent from November but about

the same as in December 1952. Approximately half of the total, or 1.5 billion dollars, was from the sale of livestock and livestock products. This was 7 percent below the previous month but approximately the same as a year earlier. Crop receipts in December, also estimated at 1.5 billion dollars, were down 25 percent from November. This decline was slightly greater than the average of the previous five years.

Total cash receipts from farm marketings in 1953 are tentatively estimated at 31.2 billion dollars on the basis of preliminary monthly data. This is 4 percent below 1952. It is subject to revision in February when more information on monthly marketings in 1953 will be available.

LIVESTOCK AND MEAT

Meat animal prices during the next few months will probably reflect the moderately smaller meat production this winter than last. About 9 percent fewer cattle and 4 percent fewer sheep were reported on feed January 1 than a year ago. The number of hogs from the spring pig crop that are still on farms is less than usual, and 9 percent fewer pigs were saved last fall than a year earlier. These changes point to a reduction in total livestock slaughter and meat output from last winter.

Prices of fed cattle of the higher grades seem likely to hold their present level this winter in contrast to the decline of last winter. At mid-January, Choice steers at Chicago were about 3 dollars a hundred pounds below the same date last year, but prices later will probably exceed the lowest levels of last year. Prices of lambs this winter are expected to hold up or increase and may at times be higher than those of last winter. Hog prices will likely retain a substantial margin over last winter.

This winter's lower level of meat output will last through the spring, but by fall the output rate will probably be up to that of last fall. Meat production for 1954 as a whole will likely total moderately below 1953. The average of prices of cattle for the year may show a modest improvement over 1953. By next fall when the increased spring pig crop will be coming to market, prices of hogs will probably be somewhat lower than last fall but still favorable to producers. Lamb prices for the year will probably average close to 1953.

DAIRY PRODUCTS

Production of milk this winter is exceeding the records attained last winter. In December, output was at an annual rate of 129 billion pounds compared with 123 billions a year earlier. In 1953 as a whole, milk production totaled 120.2 billion pounds, exceeding the previous record set in 1945.

In recent weeks, production of butter and cheese has continued larger than a year earlier. Wholesale prices of manufactured dairy products have been stable for several weeks at the equivalent of support levels. USDA purchases in early January 1954 were running at weekly rates of 8 million pounds of butter, 7 million pounds of cheese and 14 million pounds of nonfat dry milk. In the first 9 months of the current marketing year,

which ends March 31, 1954, the Department bought 232 million pounds of butter, 219 million pounds of American cheese and 429 million pounds of non-fat dry milk. The milk fat in the purchases of butter and cheese is equivalent to about 7 percent of the total milk fat produced in the period. Indications are that purchases will continue relatively heavy the rest of the marketing year.

Prices paid by dealers for milk used in fluid distributions have begun to decline seasonally and are somewhat under a year earlier. The retail price of milk in early January was down a half cent per quart, or about 2 percent, from a year earlier. Retail prices of most manufactured dairy products have declined a little more from a year earlier than fluid milk.

Consumption of fluid milk and cream apparently is continuing near year-ago levels. Consumption of the manufactured products except cheese in 1953 was little different from 1952. Cheese consumption showed some decline from 1952, presumably reflecting the decline in meat prices. But greater quantities of all items, except butter, were consumed than a decade or more ago. Butter consumption is about half the level of the late 1930's.

POULTRY AND EGGS

Broiler prices in most sections of the United States dropped sharply in mid-December, but recovered somewhat in early January. Del-Mar-Va prices declined earlier than most others, dropping from 28.0 to 18.4 cents over a 3-month period. Prices in other areas also fell in some instances to 17 or 18 cents a pound. The mid-December U. S. average price received by farmers was 23.4 cents per pound compared with 26.2 cents in November.

Prices in most commercial-producing areas in early January had risen several cents above the low point. Despite the recovery, early January prices barely covered the costs of feed and baby chicks, and left little for other production expenses.

Broiler supplies in general were smaller in December than in the preceding month. But demand in November and December declined on account of the large consumption of other poultry during the holidays, particularly turkeys. With the end of the holiday season, demand for broilers is expected to return to normal and prices are expected to continue above the December low points. However, they may nevertheless continue at price levels relatively unfavorable to producers, because monthly supplies available for slaughter will increase through March, when they will be a record.

Egg prices in early January were dropping, but the decline was less than usual, because of a continuing favorable demand for immediate consumption, plus early-season interest by commercial egg breakers. Production on farms in December was 5 percent above a year earlier, mostly on account of a higher rate of lay than last December.

In the spring, monthly egg production is not expected to surpass 1953 by so high a percentage as in December, and seasonally-adjusted egg prices are likely to hold up favorably for producers, although perhaps not fully up to the 1953 springtime levels.

FATS, OILS AND OILSEEDS

Prices of soybeans continue well above support, reflecting the smallest crop since 1949, record exports and a good domestic demand. Adverse weather conditions reduced 1953 yields considerably. Exports of beans in October-December 1953 are estimated at over 23 million bushels, more than 9 million above a year ago. Crushings of soybeans in October-November 1953 totaled slightly less than in recent years, but represent a much larger percentage of the total prospective crush. If crushings this winter continue comparatively high, the quantity of beans available for crushing this spring and summer would be comparatively small and prices could rise.

Prices of flaxseed have been below support, encouraging producers to take advantage of Government support programs. Through December 15, farmers put 15 million bushels of flaxseed (40 percent of the crop) under support programs. Lower support prices for 1954 crop flaxseed will induce crushers of seed and consumers of linseed oil to limit their current purchases and reduce their present stocks as much as possible. Whether commercial supplies will be sufficient to meet requirements will depend to what extent these requirements can be reduced.

Lard prices have been relatively high in the current marketing year, reflecting a 20 percent drop in production. Prices of edible vegetable oils have declined during the past month or so, probably due to high production and small exports. Heavy output of butter has kept prices around support.

Prices of inedible tallow and greases have increased sharply since the beginning of the crop year with heavy export demand as well as increased domestic use. Stocks at the end of November (the latest date for which data are available) were down 16 percent from October 1. A year earlier, stocks increased slightly during the comparable period. Output of inedible tallow and greases in 1953-54 is expected to be about the same as the year before.

CORN AND OTHER FEED

Cash prices of feed grains in early January remained near the December level, while prices of most high-protein feeds advanced. Prices of corn and soybean meal in early January were near the levels of a year earlier, while prices of most other feeds were moderately to substantially lower. Prices of feed grains continued below the national average support prices through December. Market receipts of corn continued much below average in December and early January. Reduced marketings of corn and the larger volume of 1953 feed grains going under price support are expected to result in some tightening of "free" supplies of feed grains during the next few months and some further strengthening of feed grain prices.

The total supply of all feed concentrates for 1953-54 is estimated at 170.5 million tons, a little larger than last year, and the fourth largest on record. The number of grain-consuming animal units to be

fed in 1953-54 is expected to be about 2 percent smaller than last year. The supply per animal unit is about 4 percent larger than in 1952-53 and within 3 percent of the 1949-50 record. Total utilization of feed concentrates is not expected to be greatly different than in 1952-53. The carryover of feed grains into 1954-55 is expected to be near record and a little larger than the 27 million-ton carryover into 1953-54.

The President announced on December 14 that the Canadian Government had agreed to take all practical steps to limit shipments of oats to the United States to 23 million bushels during the period December 10, 1953, through September 30, 1954. Later in December the President proclaimed import restrictions limiting imports from all countries other than Canada to 2.5 million bushels during the period from December 23, 1953, to September 30, 1954. These measures were taken to avoid material interference of imported oats with the price support program for domestically produced oats.

WHEAT

Reflecting the effects of the price support programs, wheat prices are generally slightly above mid-December, continuing the advance which started in early October. In mid-December prices received by farmers averaged $2.01, still 20 cents below the national announced loan rate of $2.21. While high protein hard winter and spring wheats are above the net loan after charges, and durum prices are sharply above loan levels, market prices of ordinary and low protein hard wheats, as well as prices of soft wheat are still well below loan values.

The 1953 wheat crop is estimated at 1,169 million bushels, according to the December Crop Report, only 6 million more than was estimated earlier in the season. Through December 15, about 431 million bushels of 1953 crop wheat were placed under support programs. Farmers have until January 31 to take advantage of these programs, and it is possible that about the same quantity will be placed under support this year as the 460 million last year, even though the crop is 10 percent smaller. On December 17 the CCC owned 439 million bushels of wheat. Wheat now owned by CCC plus that placed under price support programs up to December 15 totals around 870 million bushels, about half of the supply of 1,736 million bushels estimated for the 1953-54 marketing year. Because of the reduced "free" market supplies it appears that further price advances may be expected.

Domestic disappearance is expected to account for 700 million bushels of the 1953-54 supply, leaving 1,036 million bushels for export in 1953-54 and carryover July 1, 1954. Exports this year are expected to be sharply below the 317 million bushels in 1952-53. July-December exports, including the wheat equivalent of products, have totaled only about 110 million bushels compared with 155 million bushels for the same period a year ago.

Prospects this year for winter wheat, which ordinarily makes up about three-fourths of the total crop, are for a crop of about 750 million bushels, or about one-sixth smaller than the 1953 crop of 878 million bushels, and about 6 percent below the 1942-51 average of 797 million bushels. This reduction represents a cut in seedings as a result of the acreage allotment program. Seedings for all purposes in the fall of 1953 are estimated at 46.6 million acres, 18 percent below the 56.8 million acres seeded a year earlier. The estimate of seeded acreage includes more than a million acres seeded in excess of allotments in designated drought areas for use as pasture and cover crops. The average yield per seeded acre is estimated at 16.1 bushels, on the basis of condition as of December 1 and other factors. This is above the 15.4 bushels a year earlier and the 1942-51 average of 15.6 bushels.

A sharp increase in the acreage of rye sown for all purposes is indicated for the fall of 1953. The estimated 4.0 million acres sown is about 22 percent more than the 3.3 million acres seeded a year earlier, and only 3 percent less than the 10-year average of 4.2 million acres. The condition of rye on December 1 was reported at 78 percent of normal, compared with the low 67 percent reported a year ago, 88 percent two years ago and the 10-year average of 86 percent. With large stocks on January 1 and in prospect for July 1, 1954 and increased production, rye supplies would be the largest since 1944.

FRUIT

Supplies of most fruits remaining to be marketed this winter and spring are somewhat larger than those of a year earlier. Export-payment programs are in operation to assist the movement of oranges, grapefruit, pears, and raisins. Demand for oranges and grapefruit for canning and freezing is expected to be strong again during the first half of 1954. Consumer demand is expected to hold up well for both fresh and processed fruits.

Movement of Florida oranges and grapefruit to processors continued in heavy volume during December 1953 despite a strike in can manufacturing plants, which ended in early January. The pack of frozen orange concentrate (10.6 million gallons) through January 2 was over 2 times that of a year earlier, but that of canned orange juice was 15 percent smaller. Prices paid growers for oranges for making into frozen concentrate declined somewhat during December, and in late December were about the same as a year earlier. Prices for oranges for fresh market shipment also declined slightly. This probably was partly due to uncertainty over whether supplies of tin cans would be short enough to reduce processing and thus increase sales for fresh markets. With increased movement of oranges to processors this winter, grower prices probably will average about the same as last winter.

Utilization of Florida grapefruit by processors also has been considerably heavier than a year ago and output of canned grapefruit juice and sections has been much larger. Grower prices for seeded grapefruit for fresh market shipment were about the same during December as a year earlier, but prices for seedless varieties were somewhat lower. In early January 1954, prices for all varieties were lower. With total supplies of grapefruit remaining to be marketed slightly larger than a year ago, prices for most varieties may be under those of last winter.

Although stocks of apples in cold storage January 1, 1954 were about the same as a year earlier, they were one-sixth smaller than the 1948-52 average for that date. Stocks this year were larger in Washington, West Virginia, Michigan and New England, but smaller in Virginia, Oregon and California. Grower prices for apples in December 1953 averaged about the same as in that month of 1952, which were the second highest on record for that month. Continued high prices are in prospect during the first half of 1954.

Cold storage holdings of pears on January 1, 1954 were about 32 percent larger than a year earlier and 28 percent above average. Movement of winter pears has been facilitated by an export-payment program under which about 239,000 boxes had been declared for export by January 9, 1954. To provide further help in marketing 1953-crop winter pears, the Department on December 24, 1953 announced plans to purchase pears for donation to nonprofit school lunch programs and other eligible outlets. By January 12, 1954, 55 cars had been bought. Auction prices for D'Anjou pears, the principal winter variety, declined during December 1953, continuing below a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Demand for fresh vegetables is expected to continue strong through the first quarter of 1954 and aggregate production for winter-season harvest is indicated to be slightly lower than a year earlier. Prices received by farmers for commercial vegetables during this quarter, however, probably will not average as high in general as those of a year earlier. Large storage stocks of cabbage and onions are available at relatively low prices. Supplies of snap beans, cabbage, carrots, cauliflower, celery, kale, green peas, green peppers and shallots for the winter market are smaller than a year earlier, while larger supplies are indicated for artichokes, lima beans, beets, broccoli, sweet corn, cucumbers, egg plant, escarole, lettuce, and tomatoes.

For Commercial Processing

Preliminary indications are that in general total supplies of canned vegetables for distribution in the 1953-54 marketing season will be as large as or larger than those of a year earlier. Major exceptions are canned tomatoes and tomato products other than juice, asparagus, spinach, and pumpkin and squash. Larger packs of frozen asparagus, spinach, cut corn, and green peas have been reported, and indications are that other frozen packs are probably larger also.

POTATOES AND SWEETPOTATOES

Prices for 1953 crop potatoes are expected to remain relatively low through the winter and spring of 1954. Stocks of merchantable potatoes on January 1, 1954 were 120.2 million bushels, 6.7 million, or 6 percent, larger than a year earlier.

Farmers in the areas producing early commercial potatoes for late spring harvest, which includes the important Kern County, California area have indicated their intentions to plant 128,800 acres this year. Such an acreage is 22 percent less than the 165,400 acres harvested in 1953 and 21 percent less than the 1943-52 average.

Supplies of sweetpotatoes available from the 1953 crop which was 19 percent larger than the small 1952 crop, are moving at substantially lower prices than a year earlier. About the usual seasonal rise in prices from current levels is expected.

DRY BEANS AND PEAS

Although demand for dry beans is expected to continue strong, prices received by farmers for the 1953 crop probably will average a little lower than those for the 1952 crop. The 1953 crop was 12 percent larger than the 1952 crop. As of mid-December, the average price received by farmers was $8.11 per cwt., 26 cents below a year earlier. The preliminary estimate of the season average price for the 1953 crop is $8.48, compared with $8.67 a year earlier. Production of pinto beans was larger than for any other class in 1953 and may present some difficulty in marketing, particularly if demand from Mexico falls off. In general, however, prices for beans are expected to average well above support levels.

Little change in prices from last year are indicated for 1953 crop dry peas, the production of which was one-fourth larger than the 1952 crop. Stocks of dry peas carried over from prior years' crops are low. The preliminary estimate of the season average price for 1953 crop dry peas is $5.22 compared with $5.25 per cwt. for the 1952 crop.

COTTON

The price of cotton increased during the first half of January. On January 18, the average 10 spot market price for Middling 15/16 inch cotton was 33.22 cents per pound. This compares with an average of 32.63 cents in December, and 32.74 cents in November. The average loan rate at these markets for the same quality is 32.99 cents per pound.

As the season has progressed, the stocks held by CCC (in producers' pools, owned, and under loan) have increased rapidly. This has caused commercial stocks of cotton to decline. As of January 1, commercial stocks were estimated at 8.3 million bales, compared with an estimated 9.4 million a month earlier, and 7.2 million a year earlier.

Domestic mill consumption of cotton continued below a year earlier in December. It averaged 32.2 thousand bales per day in December 1953, compared with 36.7 thousand in December 1952.

Exports from August 1 through November 1953 totaled 853 thousand bales. In the same period a year earlier they totaled 981 thousand.

WOOL

Prices of most wools in both foreign and domestic markets in mid-January were about the same as a month earlier. Prices received by domestic growers for shorn wool at mid-December averaged 52.2 cents per pound, grease basis, compared with 52.1 cents a month earlier and 53.0 cents a year earlier.

As of December 31, 31.3 million pounds of shorn wool were under loan under the 1953 price support program. A year earlier there were 77.3 million pounds under loan under the 1952 program. On December 31, 1953 the CCC still held 96.1 million pounds of the approximately 100.6 million pounds of shorn and pulled wool acquired under the 1952 program.

Under the program for wool proposed by the Administration, producers would receive direct payments equal to the difference between the average market price for the season and 90 percent of parity. Each producer would receive the same support payment per pound of wool, no matter how much he received for his wool in the market.

The average weekly rate of mill consumption of apparel wool in the United States during November 1953 was below a year earlier for the fourth consecutive month. The average rate during November was 33 percent below the same month of 1952. Mill use during the first 11 months of the year was 4 percent above a year earlier. The weekly rate of mill use of carpet wool was below a year earlier during September, October, and November. The total through November was 14 percent above a year earlier.

Imports of dutiable wool for consumption during January-October 1953 were about one-third, clean basis, below a year earlier. Imports of such wool were below a year earlier during each month beginning with February. Imports of duty-free wool (clean content), however, were up almost one-fourth.

TOBACCO

A substantial proportion of the 1953 Burley crop has been marketed. Through mid-January, gross sales totaled 544 million pounds at an average of 52.7 cents per pound--3½ percent above the average for the corresponding period of last season. As usual, prices at Burley auctions are tending to average lower in the latter part of the selling season. In the year ending September 30, 1953, a record quantity of Burley was consumed in this country. During the first 11 months of 1953, the indicated number of cigarettes consumed in this country was about 2 percent less than in the same period of 1952 but the proportion of king size cigarettes, which require more tobacco per unit, increased.

Auction prices of Virginia fire-cured, type 21, averaged 35.8 cents per pound for sales through mid-January--about the same as in the corresponding period of last season. Average prices of Virginia sun-cured, type 37, at about 32.2 cents have been a little above last season. Auction

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prices for the Kentucky-Tennessee dark air-cured, types 35 and 36, for season's sales through mid-January were 25.1 and 22.2 cents per pound, respectively--much lower than last season. The major factor reducing the average prices was the poor quality of the tobacco in this area as the result of the drought during the growing season. Auction sales of Kentucky-Tennessee fire-cured begin the last week of January--somewhat later than usual.

Output of snuff and chewing tobacco--the major domestic outlets for fire-cured and dark air-cured tobacco--is indicated to have been a little lower in 1953 than in 1952.

Total exports of unmanufactured tobacco in the first 10 months of 1953 were one-fourth larger than in the same period of a year earlier, mostly because Britain postponed until the spring of 1953 much of the shipments that normally would have occurred in late 1952. This mainly affected flue-cured, which accounted for over four-fifths of total tobacco exports. During January-October 1953, exports of Burley, fire-cured, and dark air-cured leaf tobacco were mostly moderately below those in the same period of 1952, while exports of Black Fat (semi-processed form of dark tobaccos), cigar leaf, and Maryland tobacco showed increases.